American Securitization Forum
Summary
December 17, 2007

The plan for subprime adjustable rate mortgages released in early December 2007 targets owner occupied homes whose loans originated between January 1, 2005 and July 31, 2007, where the loans are in securitized pools and have an initial reset between January 1, 2008 and July 31, 2010. Your servicer (the company that sends you your monthly statements) will be able to tell you if your loan is eligible for this streamlined plan. Eligible residents must have been current (not more than 30 days delinquent and must not have been more than 60 days delinquent in the last 12 months) in their mortgage payments.

This population of loans is segmented into three categories: residents that cannot afford the initial starter rate; residents that can afford the starter rate and have the ability to refinance, and residents that can afford the initial teaser rate but cannot refinance.

- If you cannot afford the teaser/initial rate, your servicer will examine a number of loss mitigation efforts to help you.

- If you can afford the initial rate, your servicer will examine a number of criteria to see if you can refinance based on your credit score, payment history, and home mortgage compared to the present value of your home. Specifically, if you have a credit score over 660 or your score has increased 10% since the loan started, and the loan (total owed on house) over the value of the house is less than 97%, your servicer will offer owner refinance options or information on FHA, FHA Secure and any other appropriate products. The goal in refinancing is to avoid any pre-payment penalties “wherever feasible”.

- If you can afford the initial rate, but cannot refinance, and your servicer determines that you cannot afford the adjusted rate, and the payment will go up by more than 10%, a fast track modification may be offered where the existing interest rate will be kept for 5 years following the upcoming reset.

If borrowers can't afford starter rate:	**If borrowers can afford starter rate:**	**If borrowers can afford starter rate, but cannot refinance:**
Borrowers evaluated on a case-by-case basis*	Their capability to refinance is evaluated	Their capability to pay reset rates is evaluated
	If borrowers can refinance to existing products:	**If borrowers can afford the reset rate:**
	Borrowers refinance to sustainable mortgages	Borrowers remain in current mortgages
		If borrowers cannot afford the reset rate:
		Borrowers receive a 5-year extension of starter rates
		If potential difficulty with reset rate:
		Borrowers evaluated on a case-by-case basis
Source: Treasury Dept.		